

Message Text

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TAGS: EIND, OECD
SUBJECT: INDUSTRY COMMITTEE MEETING: CHAIRMAN'S
PROPOSAL FOR SPECIAL STUDY OF IRON AND STEEL INDUSTRY

SUMMARY: INDUSTRY COMMITTEE CHAIRMAN HAS PROPOSED ESTABLISHMENT OF SPECIAL IRON AND STEEL GROUP TO EXAMINE SUCH ASPECTS OF INDUSTRY AS STRUCTURE, NATIONALIZATION, MARKET TRENDS AND EMPLOYMENT. PROPOSAL HAS SECURED CONSIDERABLE SUPPORT, AND CHAIRMAN IS PRESSING FOR COMMITTEE DECISION TOMORROW. US, CANADA AND JAPAN HAVE BEEN ARGUING NEED FOR MORE TIME TO CONSIDER ISSUE. UNDERLYING QUESTIONS FOR US ARE WHETHER WE WANT SUCH STUDY AND IF SO WHERE. MORE IMMEDIATE QUESTION WE MAY BE ASKED IS WHETHER WE WISH BLOCK SPECIAL MEETING AND IF SO WHY.

1. DURING MARCH 16 INDUSTRY COMMITTEE DISCUSSION OF IRON AND STEEL, CHAIRMAN COESSENS (BELGIUM) PROPOSED THAT COMMITTEE SET UP A SPECIAL IRON AND STEEL GROUP TO EXAMINE VARIOUS ASPECTS OF THE INDUSTRY SUCH AS ITS STRUCTURE, RATIONALIZATION, MARKET TRENDS AND EMPLOYMENT. HE FURTHER SUGGESTED THAT THE WORKING GROUP ON
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INVESTMENT IN IRON AND STEEL BE CONVERTED TO A GROUP WITH A BROAD MANDATE AND WITH DIFFERING MEMBERS.

2. SECRETARIAT (SCIENCE AND INDUSTRY DIRECTOR BECKLER) SUPPORTED PROPOSAL OBSERVING THAT SECGEN IS CONCERNED BY ISSUE. BECKLER FURTHER INFORMED COMMITTEE THAT SECRETARIAT PAPER PLACED BEFORE XCSS SPECIALLY MENTIONED

IRON AND STEEL AND ALLEGED THAT XCSS HAD AGREED THAT IRON AND STEEL SHOULD RECEIVE SPECIAL TREATMENT SIMILAR TO THAT BEING GIVEN TO SHIPBUILDING. BECKLER SAID GROUP SHOULD BE HIGH LEVEL AND OPERATE WITHIN THE INDUSTRY COMMITTEE MANDATE. HE ADDED THAT OPTIONAL APPROACHES WOULD BE THAT THE INDUSTRY COMMITTEE COULD MEET IN SPECIAL SESSION WITH HIGH LEVEL GOVERNMENT OFFICIALS RESPONSIBLE FOR IRON AND STEEL RATHER THAN AT WORKING PARTY LEVEL. HE CONCLUDED THAT THE SEC GEN COULD CONVENE SUCH A MEETING WITHOUT INDUSTRY COMMITTEE APPROVAL. HE FELT THE IMPORTANT POINT TO BE THAT THE SEC GEN WANTED APPROPRIATE REPRESENTATION AND AT THE RIGHT LEVEL OF GOVERNMENT. IN RESPONSE TO STATEMENTS BY NUMBER OF DELEGATIONS THAT THEY NEEDED TIME TO GET INSTRUCTIONS, CHAIRMAN PRESSED FOR DECISION ON FOLLOWING DAY.

3. AT MARCH 17 MEETING, NUMBER OF DELEGATIONS PERHAPS SURPRISINGLY WERE IN THE POSITION TO SUPPORT PROPOSAL. THESE INCLUDED GERMANS (WHOSE DELEGATE PRESSED STRONGLY FOR IMMEDIATE DECISION IN SUPPORT OF PROPOSAL ARGUING THAT OTHERWISE ACTION WOULD BE TAKEN ELSEWHERE IN ORGANIZATION AND INDUSTRY COMMITTEE WOULD BE "OUT OF THE GAME", SWEDEN (WHOSE REP SUGGESTED CONVENING OF INDUSTRY COMMITTEE IN SPECIAL SESSION, BY WHICH HE MEANT MEETING SOME TIME BETWEEN NOW AND REGULARLY SCHEDULED JUNE MEETING AND PRESUMABLY SPECIAL REPRESENTATION, NORWAY (WHICH SUPPORTED SWEDEN'S PROPOSAL), NETHERLANDS AND BELGIUM. THE FRENCH AND THE U.K. REPS WERE WITH-LIMITED OFFICIAL USE

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OUT INSTRUCTIONS BUT PERSONALLY WELL DISPOSED (FRENCH SOMEWHAT MORE SO) TO THE CHAIRMAN'S PROPOSAL.

4. THE US AND CANADA SAID THEY WERE WITHOUT INSTRUCTIONS AND THAT GOVERNMENTS NEEDED TIME FOR REFLECTION ON THIS PROPOSAL WHICH HAS IMPORTANT RAMIFICATIONS. WE NEEDED TO CONSIDER WHETHER SUCH A STUDY WAS APPROPRIATE AND IF SO BEST MEANS OF ADDRESSING IT. REFERRING TO FACT THAT SECTORAL QUESTIONS HAD COME UP IN XCSS, CANADA OBSERVED ESSENCE OF DISCUSSION THERE WAS TO BRING INTER-DISCIPLINARY APPROACH TO INTER-RELATED PROBLEMS RATHER THAN SEEING THEM DEALT WITH IN A MORE FRAGMENTED WAY. CANADA THEREFORE STRESSED THE NEED FOR A FULL REVIEW OF POSSIBLE OPTIONS WITHIN THE ORGANIZATION IN DEALING WITH IRON AND STEEL AS WELL AS SOME INDICATION OF BUDGETARY IMPLICATIONS OF CHAIRMAN'S PROPOSAL. (NO CLEAR RESPONSE ON BUDGETARY IMPLICATIONS WAS FORTHCOMING DESPITE RATHER LENGTHY INTERVENTION BY SECRETARIAT

- HILL - ON POINT.) US FULLY SUPPORTED CANADIAN

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REMARKS. JAPAN ALSO WITHOUT INSTRUCTIONS POINTED OUT THAT FOR A MATTER OF THIS IMPORTANCE, PREPARATIONS SHOULD HAVE INCLUDED ADVANCE INDICATIONS TO GOVERNMENTS, ADVANCE PREPARATION OF PAPERS, ETC. JAPAN ALSO POINTED OUT THAT OECD ALREADY HAD MECHANISM FOR IRON AND STEEL (AD HOC COUNCIL WORKING PARTY) WHICH WAS USED LAST YEAR.

5. CHAIRMAN CONTINUED TO PRESS HARD FOR AT LEAST INTERIM DECISION FROM COMMITTEE I.E. AGREEMENT THAT, IN ANY CASE, WORK IN THIS AREA SHOULD BE DONE WITHIN INDUSTRY COMMITTEE EVEN THOUGH SOME REPS REMAINED WITHOUT INSTRUCTIONS. DESPITE STRONG SUPPORT FROM GERMANS FOR IMMEDIATE ACTION THAT EVENTUALLY YIELDED TO US, CANADA AND JAPAN RESISTANCE AND AGREED THAT NO DECISION HAD YET BEEN TAKEN. HE CONTINUED TO URGE IN STRONGEST TERMS HOWEVER THAT DECISION BE TAKEN AT TOMORROW'S (MARCH 18) SESSION WHEN ISSUE WILL BE TAKEN UP AGAIN.

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6. COMPROMISE PROPOSALS WERE ALSO PUT ON TABLE BY NORWAY AND AUSTRIA. NORWAY SUGGESTED THAT MATTER BE LEFT UNTIL REGULAR JUNE IC MEETING WHEN STATE OF INDUSTRY COULD RECEIVE FULL DRESS DISCUSSION BASED ON SECRETARIAT'S PREPARATIONS. HE SUGGESTED AN ADDITIONAL DAY BE ADDED TO THE MEETING OR THE AGENDA SHORTENED TO ACCOMMODATE FULL DISCUSSION OF IRON AND STEEL. AUSTRIA SUGGESTED THAT THE CHAIRMAN REPORT TO THE SECGEN THAT THE INDUSTRY COMMITTEE WAS PREPARED TO CONTRIBUTE TO A SECTORAL STUDY IN ANY WAY THAT THE SECGEN CONSIDERED DESIRABLE.

7. COMMENT: WE ARE STILL NOT PRECISELY SURE OF THE ORIGIN OR MOTIVATION FOR THIS PROPOSAL ALTHOUGH IT SEEMS CLEAR THAT REPS FROM EUROPEAN STEEL PRODUCING COUNTRIES FIND IDEA ATTRACTIVE. WE HAVE NOT BEEN ABLE TO ASCERTAIN WHETHER THERE IS A DELIBERATE ELEMENT OF PLAY HERE BETWEEN EC MEMBER COUNTRIES AND THE COMMUNITY IRON AND STEEL POLICY. WE ARE TOLD THAT THERE WAS NO EC CONCERTATION AS SUCH ON THIS MATTER AND EC REP HIMSELF SAT SILENT THROUGHOUT DISCUSSION. NO EC MEMBER COUNTRY RESISTED PROPOSAL AND GERMANY WAS PERHAPS ITS STRONGEST PROPONENT ASIDE FROM BELGIAN CHAIRMAN HIMSELF. MOTIVATION MIGHT INVOLVE BUREAUCRATICS AMONG OECD FORA AND - FOR SOME REPS - INTRA-MINISTERIAL RIVALRY IN CAPITALS. PERHAPS SIGNIFICANTLY, A MAJOR POINT OF BOTH GERMAN REP AND CHAIRMAN WAS THAT IF INDUSTRY COMMITTEE DID NOT TAKE THIS WORK ITSELF, JOB WOULD BE DONE ELSEWHERE IN ORGANIZATION.

8. FROM THE US VIEWPOINT, THE UNDERLYING QUESTIONS ARE: DO WE WANT SUCH A STUDY UNDERTAKEN, AND IF SO WHERE. BY THE TERMS OF ITS MANDATE, THE INDUSTRY COMMITTEE DOES OF COURSE HAVE COMPETENCE TO ANALYZE THE PROBLEMS OF AN INDUSTRY WITH CLEAR STRUCTURAL

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PROBLEMS AND COULD CONTRIBUTE TO AN OVERALL LOOK AT THIS SECTOR. AT THE SAME TIME THE TRADE ASPECTS OF PROBLEMS IN IRON AND STEEL, WHICH ARE MOST CONSPICUOUS AT PRESENT, WOULD NOT BE BEST ADDRESSED BY THE NORMAL REPRESENTATION WHICH OTHER COUNTRIES SEND TO THIS COMMITTEE.

9. AT TOMORROW'S MEETING, UNLESS INSTRUCTED OTHER-

WISE, WE WILL CONTINUE TO TAKE THE LINE THAT THIS
ISSUE REQUIRES FURTHER WASHINGTON REVIEW. HOWEVER,
WE EXPECT THE COUNTRIES WHICH HAVE NOT APPROVED THE
PROPOSAL TO BE ASKED IF THEY OBJECT TO A SPECIAL
SESSION OF THE INDUSTRY COMMITTEE (PARA 3 ABOVE)
BEFORE JUNE ON THIS QUESTION, AND IF THEY DO OBJECT,
ON WHAT BASIS.

10. GUIDANCE REQUESTED.
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